In brief

Digital identification: A key to inclusive growth

Digital identification, or "digital ID," can be authenticated unambiguously through a digital channel, unlocking access to banking, government benefits, education, and many other critical services. Programs employing this relatively new technology have had mixed success to date—many have failed to attain even modest levels of usage, while a few have achieved large-scale implementation. Yet well-designed digital ID not only enables civic and social empowerment, but also makes possible real and inclusive economic gains—a less well understood aspect of the technology. The political risks and benefits of digital ID are potentially significant and deserve careful attention but are beyond the scope of this report. Here, we develop a framework to understand the potential economic impact of digital ID, informed by an analysis of nearly 100 ways in which digital ID can be used in Brazil, China, Ethiopia, India, Nigeria, the United Kingdom, and the United States. We find:

— Digital ID is a foundational set of enabling technologies that can be pivotal in a wide range of interactions between individuals and institutions. Digital ID technologies are also akin to "dual use" technologies that can be employed both to benefit society and for undesirable purposes by governments, institutions, or individual actors. Our research focuses on how "good" use of digital ID can create value and societal benefit, while being clear-eyed about the chance of misuse and other risks, and the need to mitigate them.

— Digital ID enables individuals to unlock value and benefit as they interact with firms, governments, and other individuals in six roles: as consumers, workers, microenterprises, taxpayers and beneficiaries, civically engaged individuals, and asset owners. For example, digital ID could contribute to providing access to financial services for the 1.7 billion-plus individuals who are currently financially excluded, according to the World Bank, and could help save about 110 billion hours through streamlined e-government services, including social protection and direct benefit transfers. Institutions, for example, could benefit from improved customer registration, reducing onboarding costs by up to 90 percent, and reduced payroll fraud, saving up to $1.6 trillion globally.

— In our seven focus countries, extending full digital ID coverage could unlock economic value equivalent to 3 to 13 percent of GDP in 2030—if the digital ID program enables multiple high-value use cases and attains high levels of adoption and usage. The potential varies by country based on the portion of the economy with bottlenecks that digital ID can address as well as the scope for improvement in formalization, inclusion, and digitization. Not all of these potential sources of economic value may translate into GDP, although we use GDP as a base to give a sense of the order of magnitude of impact possible.

— For emerging economies, while the share of the economy that digital ID can address tends to be modest, scope for improvement can be sizable, leading to average potential per-country benefit of roughly 6 percent of GDP in 2030. Much of this value could be captured through digital ID with authentication alone. For mature economies, many processes are already digital, so the potential for improvement is more limited and largely requires digital ID programs that enable additional data-sharing features. Average per-country benefit of 3 percent could be possible, assuming high usage rates.

— Just over half of the potential economic value of digital ID could accrue to individuals, making it a powerful key to inclusive growth, while the rest could flow to private-sector and government institutions. Beyond quantifiable economic benefits, digital ID can offer noneconomic value to individuals through social and political inclusion, rights protection, and transparency. For example, robust identity programs could help guard against child marriage, slavery, and human trafficking.

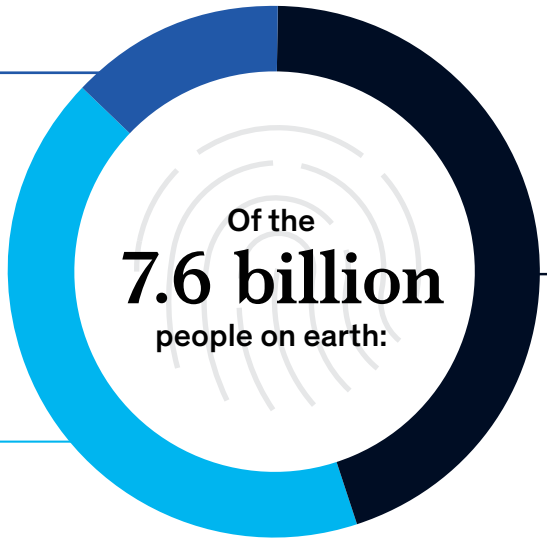
— Capturing the value of good digital ID is by no means certain or automatic. Careful system design and well-considered government policies are needed to promote uptake, mitigate risks like those associated with large-scale capture of personal data or systematic exclusion, and guard against the challenges of digital ID as a potential dual use technology.

What is good digital ID?

Good digital ID is identification that is verified and authenticated to a high degree of assurance over digital channels, is unique, is established with individual consent, and protects user privacy and ensures control over personal data.

1 billion
people are estimated to lack a legally recognized form of ID

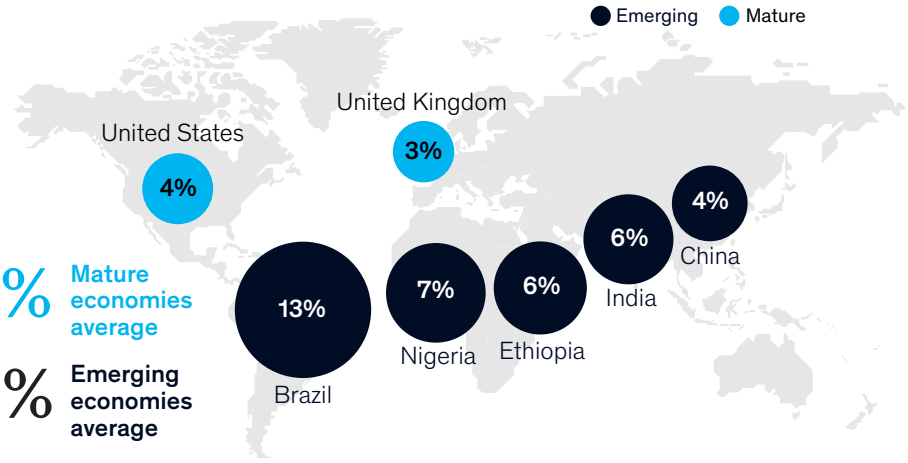
3.2 billion
have some form of ID and a digital trail



3.4 billion
people have some form of ID but no digital trail

Unlocking global economic value

Across our focus countries, digital ID could unlock economic value equivalent of 3–13% of GDP in 2030.



3% Mature economies average

6% Emerging economies average

65%

of potential value could accrue to individuals on average in emerging economies in our focus group, making it a powerful tool for inclusive growth.

Potential for misuse and possible risk elements

While digital ID can reduce risks associated with conventional ID programs, such as manual error, it could be ...

... **misused without the proper controls**, akin to dual-use technologies such as social media, GPS, or even nuclear energy.

... **exposed to risks already present** in any digital technology with large-scale population-level usage such as system failures, cybersecurity breaches, and privacy violations.

... **potentially exposed to some risks** found in conventional ID programs such as the exclusion of individuals.

Note: Value estimates assume the digital ID program enables multiple high value use cases, attains high levels of usage, is established with individual consent, and protects user privacy and ensures control over personal data.

Source: World Bank; ID4D; We Are Social *Global Digital Report 2018;* ITU; WDI; Findex; McKinsey Global Institute Analysis

McKinsey Global Institute